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Possible Remedies for Monopolistic Conditions in the Lumber Industry

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In a previous issue of the Forester the writer traced the early history of the United States forestry policy. In a monograph which is now in the publisher's hands the history of that forest policy has been brought down to the present time, and the results have been analyzed in detail. In that monograph the writer has indicated how as a result of the unwise policy pursued by Congress most of the timberlands of the country have gravitated into the hands of a few holders, and how, upon the basis of this concentration in the ownership of the standing timber, there have developed certain monopolistic conditions in the lumber manufacturing industry. It is the purpose of the present article to consider the various ways of dealing with this so-called "lumber trust".

Before proceeding with the question of remedies for the situation which faces us, it will be wise to note briefly just what the situation is, first, in regard to the ownership of standing timber, and second, in regard to the lumber manufacturing industry.

The privately owned standing timber of the United States, according to the best estimates, amounts to some 2,197 billion feet, worth at least \$6,000,000,000. Of this total amount about four-fifths were included in the area investigated by the Commissioner of Corporations; and of the amount in the investigation area nearly half was owned by holders of one billion feet or over; 32.2 per cent by holders of $3\frac{1}{2}$ billion feet or over; 26 per cent by holders of 5 billion feet or over; and 19 per cent, nearly one-fifth, by holders of 13 billion feet or over. Over 69 per cent of the unreserved timber in the investigation area is owned by holders of 60,000,000 feet or over.

To illustrate the magnitude of some of these figures, it may

be stated that a billion feet of lumber would load a freight train 417 miles long, or would build about 65,000 ordinary five or six-room houses.

Concentration of ownership in terms of board feet is sufficiently startling, but perhaps nearly as significant are the figures in terms of acreage. The three largest timber holdings in the United States, those of the Southern Pacific, the Weyerhaeuser Timber Company and the Northern Pacific, aggregate about 9,000,000 acres of timberland, some of it among the finest in the world. The five largest holdings in the country include 12,794,000 acres, an average of 2,560,000 acres each. Among holdings smaller than these are 9 of from 500,000 to 1,500,000 acres, averaging almost 1,000,000 acres each; 27 holdings of from 300,000 to 500,000 acres each; 48 holdings of from 150,000 to 300,000 acres; 124 of from 75,000 to 150,000 acres; and 520 holdings of between 18,000 and 75,000 acres. Thus 733 holders own in fee a total of 71,521,000 acres of timberland and land owned in connection with or in the vicinity of this timberland, an average of nearly 100,000 acres each. Nor is this all. There are 961 smaller holders owning a total of 6,731,000 acres, an average for each of 7,000 acres, the equivalent of 40 homesteads. This makes a total of over 78,000,000 acres owned in fee by 1,694 holders, over one-twentieth of the land area of the United States, from the Canadian to the Mexican border.

Several factors make the power of these large timber holders really much greater than any figures as to acreage or lumber feet would indicate. In the first place, large timber holdings are proportionately more valuable than small holdings, even when the timber is of only equal quality, because large holdings can be so much more economically managed in every way. In the second place, the large holdings in many places have the smaller holdings "blocked in" in such a way as to practically control them. In the third place, the large timber holdings everywhere include the most valuable timber,—the heaviest stands and the most valuable species. In the fourth place, many of the various large holders are bound together by various interrelations of interests in such a way as to make possible common policies. Furthermore many of the large tim-

ber owners are not cutting their timber, but are holding their estates intact and perhaps buying up smaller tracts for immediate cutting. Finally, it is of course evident that with the rise in timber values the power of the holders of the remaining supply will be greatly augmented.

Now upon the basis of this concentration in the ownership of standing timber, a monopolistic situation has developed in the manufacturing industry. Associations of manufacturers have been formed and have grown strong enough to manipulate prices to their own profit, sometimes by concerted curtailment of output, sometimes by adherence to a price list, sometimes by other means.

The evidence presented in the Missouri Ouster Suit and likewise much other evidence that is available, indicates clearly that the lumber manufacturers are strongly organized and that they have often raised prices by illegal concerted efforts.

The question now arises as to what remedy is proposed for such a situation as has been here briefly outlined.¹ Four different methods of attack might be suggested. First, the Government may attack all unlawful combinations among lumbermen or lumber dealers under the anti-trust laws, Federal and State, and in that way try to secure competitive prices for consumers. In the second place, the Government might recognize the lumber business as a natural monopoly based on the possession of a natural resource, and regulate prices through a commission. In the third place, since monopolistic conditions in the manufacture and distribution of lumber are in general based upon a monopoly of the standing timber, the Government might perhaps strike at the root of the problem by imposing a graduated tax on timber holdings and in that way break up the large estates. In the fourth place the Government may simply extend the system of National Forests as rapidly

¹For excellent recent discussions of the trust problem, see articles by Prof. E. Dana Durand in the *Quarterly Journal of Economics* for May and August, 1914; and by Prof. W. H. S. Stevens in the *Political Science Quarterly* for June and September, 1914. Among other works on the same subject are: (1) John Bates Clark, *The Control of Trusts*; (2) Richard T. Ely, *Monopolies and Trusts*; (3) Charles R. Van Hise, *Concentration and Control*; (4) Bruce Wyman, *Control of the Market*; and a great number of other contributions of importance. The amount of trust literature is altogether too great to be given consideration here.

as possible, and thus try to secure a large enough proportion of the timberland so that it can set prices for the public.

The "trust-busting" policy was naturally the first one to be tried in this country, and since about 1906 the Federal Government and some of the state governments have been very active in their efforts to break up lumber combinations. In considering this government activity two questions arose: first, is it desirable to break up such combinations; and second, is it possible to do so.

The problem of breaking up combinations in the lumber industry brings with it the whole question as to the advantages or economics of large-scale organization. It is impossible to go into a minute analysis of this question here, but it will be pertinent to suggest that many of the advantages claimed for large-scale organization in general are not of great importance in the manufacturing of lumber, because the most efficient unit in the business is comparatively small. "To enlarge a mill beyond a capacity of 20 or 25 million feet a year is to duplicate mechanical units, with small or doubtful advantage in manufacture, and with certain disadvantage in the cost of transporting logs. It is a matter of dispute among lumbermen whether a mill of 20 million feet capacity, under the usual conditions of transportation in the southern pine territory, is not more economical than a larger one."²

There is without a doubt considerable economy in the so-called "integration of industry," that is, in the union of various successive related processes under the same management. In certain regions it may frequently be in the interest of efficiency and economy that a single organization should control the standing timber, own and operate all the logging equipment, the saw-mill and perhaps even wholesale and retail establishments. It is almost everywhere desirable that mill owners should own their own standing timber because in this way they can eliminate much of the element of uncertainty in the securing of timber supplies, and so insure the most economical use of milling capital. The contests between the loggers and the mill men on the Pacific coast, often resulting in very severe losses to those concerned, indicate that logging and mill-

²Report of the Commissioner of Corporations on the Lumber Industry, I, 35, 36.

ing should if possible be carried on by the same organization.

Now while the most efficient sawmill is not a very large unit in itself, if with it are included the various other items which may be effectively combined, a rather large initial investment is indicated,—in some regions an investment of millions of dollars. The purchase of several thousand acres of valuable timberland,—enough to guarantee a timber supply for the reasonable life of an efficient mill, in itself involves a very heavy outlay; and in some regions, as for instance in the cypress fields, logging equipment represents a large expense. The cost of drying kilns, the capital tied up in drying woods, and the advances to loggers and mill hands amount to considerable sums.

It may be stated at this point, however, that it has not been the policy of the Government to attack such integrated organizations as have been suggested. The Government has made no objection to the combination of timber ownership, lumber manufacturing and all other processes under one management, but has merely tried to prevent the combination of a number of these large units into one association for the purpose of manipulating prices. It is clear that this latter sort of combination, the combination of similar units performing similar functions, the so-called "horizontal" combination, is an entirely different proposition. It not only represents vastly more power, but it certainly does not effect the same economies.

Some economies there may easily be, however, even in this latter type of combination. Doubtless it may secure cheaper distribution of the product, through a reduction in advertising and selling expenses, and a saving in cross freights. Perhaps it may prevent some needless duplication of plants,—an important consideration in the lumber industry where there is always a considerable amount of capital tied up in useless milling and logging equipment. It might even permit some specialization among the various mills, although this is not certain. Experience has already shown that combination can do much in adjusting the supply of lumber to the demand, thus securing more stable conditions in the industry. This is a consideration of great importance because of the fact that the lumber industry is peculiarly sensitive to changes in the general

business situation. Whether combination among lumber operators would result in the adoption of more efficient accounting methods or better machinery is perhaps not quite certain, but there might be some gain here.

There is thus something to be said for the economies of combination even in the lumber business. It should of course be noted that while the lumber industry presents examples of a great many different kinds of combination, most of the lumber associations are not closely knit organizations, many of them not strong enough to secure all of the advantages possible to effective combination.

Even if we admit the desirability of breaking up these combinations, there still remains the question as to the possibility of doing it. As indicated in the preceding chapter monopolistic combinations have existed in most fields of the lumber industry, often strong enough to raise prices materially; and in spite of the activity of Federal and State prosecuting agents, many of these combinations still exist. Most of them have altered their form of organization or their scheme of operations; others have been weakened; but many are still strong enough to manipulate prices to their own profit, and, from evidence at hand, are doing it. The Government has certainly not been entirely successful in its policy of breaking up lumber combinations, and there is no reason to believe that it will be in the immediate future.

Some success, however, has certainly been achieved. No student of the recent history of the lumber business can fail to concede that the vigilance of the Federal and State governments has broken up some of the worst forms of monopoly activity; has driven some illegal combinations to cover; and, perhaps more impotent than all, has to some extent prevented the formation of others. Monopolistic activities have been, to say the least, more difficult since 1906; and some that were possible before that date, have been impossible since. It is doubtful whether the lumber industry as a whole is as strongly organized now (1915), as it was ten years ago. The decision in the Missouri ouster suit for instance, was a crushing blow to the yellow pine ring; and the provisions of the verdict rendered

would seem to promise something for the effectiveness of Government control.

To what extent the attitude of the Government has prevented the formation of new lumber combinations, it is of course difficult to judge intelligently. It is perhaps significant, however, that nearly all of the powerful lumber associations had their inception before the time of Government anti-trust activity, which dates from about 1906. The National Lumber Manufacturers' Association was organized in 1902. The Missouri and Arkansas Lumber Association, perhaps the earliest of the yellow pine associations, dates from 1883; and the Southern Lumber Association, later to become the Yellow Pine Manufacturers' Association, was organized in 1890. The Georgia Saw Mill Association, the predecessor of the Georgia-Florida Saw Mill Association, was formed in 1899. The first organization in the field of North Carolina pine dates from 1888, and the present North Carolina Pine Association was formed in 1905, by the union of the old North Carolina Pine Association and the South Carolina Pine Association, both of which had been organized some years previously.

In the Douglas fir territory as elsewhere, lumbermen's organizations run back to the period previous to 1906. The loggers of Puget Sound organized the Puget Sound Timbermen's Association as early as 1899, and this organization has persisted under various names. The Washington Logging and Brokerage Company, since 1907 known as the Washington Log Brokerage Company, was formed in 1904. The three associations among the mill men of this region; the Southwestern Washington Lumber Manufacturers' Association, the Pacific Coast Lumber Manufacturers' Association and the Oregon and Washington Lumber Manufacturers' Association, were organized in 1900 and 1901. The combination of these three into the West Coast Lumber Manufacturers' Association was, however, not effected until 1911; and some subsidiary price regulating organizations in this region have also been formed in very recent years.

In other fields of the lumber industry, as in those mentioned, most of the present lumber combinations were formed previous to 1906, although some consolidations and reorganizations have been effected more recently. In this connection it must

be pointed out that most fields of the lumber business were fairly well organized before the Government began its anti-monopoly campaign, and that therefore there has been no great occasion for the formation of new organizations since; nevertheless, bearing all the evidence in mind, we can scarcely escape the conclusion that the number of such monopolistic organizations is now less than it would have been but for the hostile attitude of the Government. The abandonment of the proposed North Carolina Pine merger is a case in point.

Finally then, as to the effectiveness of Government efforts to break up lumber combinations, the most definite conclusion that the information at hand will justify, is that, while the lumber industry is still strongly organized, part of it perhaps entirely beyond the reach of anti-trust prosecution, nevertheless the Government has accomplished something, has even achieved some notable success. Some students of the question may feel that with further experience, with improvement in the anti-trust laws and in the machinery for their enforcement, with the elimination of various unfair practices, with increasing publicity of corporate affairs, and with the development of supplementary legislation, such as for instance, Federal incorporation laws, the Government will be able to handle the lumber situation successfully, without departing from its present policy. Other students of the question will view the situation more pessimistically, will feel that it is impossible to break up combinations in this way, that as fast as the Government devises new methods of attack, the lumber organizations will invent new means of evasion, and that in the end, the Government will be driven to direct regulation of prices.

The possible advantages of combination in the lumber industry have been indicated above, and certainly they must be given due consideration. Whether these advantages are so great, however, and whether their preservation is a matter of much importance as to justify the Government in abandoning its present policy, to embark upon a wholly untried scheme of price regulation, is quite another question.

The idea of price regulation by means of a commission seems attractive in many ways.³ It has a directness, a finality, an

³Van Hise, *Concentration and Control*, 238-242.

apparent simplicity even, which presents a strong appeal to certain minds. It is perfectly conceivable too that if the Government is to engage in the regulation of prices at all, lumber prices might seem as good a point of attack as any. The industry is based on a natural monopoly, is fairly well centralized, the product simple and generally well standardized. Furthermore the cost of production, as far as that might enter into the fixing of price, could be as easily determined for lumber as for almost any product.

It will be profitable, however, to point out certain objections to this scheme, to indicate briefly some of the difficulties involved. Immediately questions arise as to the personnel and manner of appointing such a commission, and the scope of its powers. To be effective, it must, of course, have broad powers, and this would make its personnel a matter of the greatest importance. Clearly if the lumber interests were to have a strong representation on the commission its work might amount to little or nothing. It is scarcely to be doubted that any representatives of other lines of business on this commission would line up with the lumber representatives in most events, because once the Government embarked on a policy of price regulation, most lines of big business would cooperate in common self-defense. Experience with minimum wage commissions points to the possibility of difficulties of this nature.

It would perhaps be fairly easy to conceive of an ideal commission, with a majority of highly trained men who could handle the business with intelligence, but it is easier to conceive of a commission created according to canons of political expediency, the fruit of political debates and trades and compromises rather than of intelligent and judicious planning. Experience with the Interstate Commerce Commission indicates that it would take many years of experimenting to develop any degree of efficiency in the regulation of prices.

The price regulating commission would presumably be a Federal institution, and the definition of its powers and jurisdiction would present certain difficulties. It could get jurisdiction only under the interstate commerce clause of the constitution, and so would be unable to reach lumber which did not enter into interstate commerce, unless effective cooperation were se-

cured with state commissions of similar nature. The difficulty of securing such cooperation with some of the states, and the tangle that would result from a failure to secure it can easily be understood. Some states might feel that Federal prices were too high; others, where lumber interests were strong, might feel that they were too low. A situation might even conceivably arise in which consumers in a lumber producing state would have to pay a high price, fixed by the organized lumbermen of the state, or by a commission under their influence, while consumers across the state line were getting the same lumber at a low price, fixed by the Federal commission. A host of unforeseen complications would certainly arise in connection with the mere question of jurisdiction. Of course amendment of the constitution of the United States would clear away some of these difficulties, but amendment could be secured only after a long and energetic campaign, if at all; and even if it were accomplished, state constitutions might still interpose obstacles to effective price regulation.

The most serious difficulties connected with the whole scheme would of course enter with the matter of price determination; and the first question would be as to the basis upon which prices should be determined. A vast number of items would clearly have to be considered: cost of labor; logging and milling equipment, original cost, interest charge and depreciation; more remote items, such as fire protection and taxes, (in the first instance these would have to be reckoned for years previous); and perhaps more important than all, the value of the standing timber.

A very careful system of cost accounting would be needed here, and it is probable that the Government would have to prescribe a uniform system for all lumber manufacturers. Many of the mills have had no effective system in the past, and it might be many years before the Commission would have enough comparative data to proceed with intelligence.

The value of the standing timber would have to be considered. In most cases a price has been paid for it, and to fix a uniform price schedule without considering this price at all would be confiscation; whether the manufacturers themselves own the timber or whether they buy from timber owners. This

is not to assume that the original price, or even any subsequent price paid, is an accurate index to the value of the timber, for it may have no significance whatever. For instance the \$6.00 per acre paid in the great Weyerhaeuser purchase of 1900 has no significance as to the present value of the land. In order to get any idea of present values it might be necessary to institute an extensive and thorough cruise of all the timberlands in the country.

Unfortunately, however, it appears at this point that the whole idea of considering present values in the fixing of a price schedule involves a logical absurdity, a "vicious circle" in reasoning. How can any price be fixed on the basis of the present value of standing timber, when the value of the standing timber is directly determined by the price fixed? The value of standing timber depends upon the price at which it is anticipated, the lumber can finally be sold; and how can it serve as the basis for determining the price at which it is to be sold? How can timber values and lumber prices each be in turn cause and effect?

In the case of joint products special complications would arise. For instance the yellow pine forests of the South produce turpentine and lumber. Hemlock is valuable for its bark as well as for its wood. How shall the price of the lumber be determined with relation to the other products? Some mills produce different kinds of products, lumber of many kinds and grades, shingles or lath, and perhaps excelsior. How much of the fixed charges and how much of the operating expenses shall be attributed to each product?

It might sometimes be difficult to adjust the price of different kinds of woods so as to do justice to each section of the country. As long as there is competition between different sections of the country this matter is regulated, but if once this competition were eliminated it might be very difficult to find a satisfactory basis for the determination of relative values in the various markets of the country.

Under the present regime, to a considerable extent competitive, most lumber prices tend to fluctuate greatly, because of the fact that the demand for lumber is extremely variable, while the supply responds only tardily. Now it is clear that

no commission would be able to change the price schedule with any degree of facility; and the establishment of fixed prices would bring in unprecedented conditions which can scarcely be more than guessed at. In times of business activity excessively large amounts of lumber would be demanded, because there would be no rise in prices to discourage its use; in times of depression very little would be called for because there would be no lowering of prices to stimulate demand. How could the supply be adjusted to such a widely varying demand? Even under present conditions, there is a great waste in the industry, because so much capital is idle during slack seasons, and it seems that this waste would be much greater under the circumstances suggested.

It might be suggested that the commission could vary prices according to changing industrial conditions, but even if this were possible, it is very doubtful if it would be a wise policy because of the uncertainty and uneasiness it would bring into the situation. It seems that prices fixed by the commission would tend to remain the same for considerable periods, perhaps even for years, somewhat like the rates fixed by the Interstate Commerce Commission.

Lumber prices will certainly show a strong upward tendency for a long time, and as prices gradually rise consumption will decline and waste will be reduced. The higher prices will have a conserving tendency. It is interesting to speculate as to what would happen if a Government commission were regulating prices. As stated above, there would be a strong tendency for such a commission to fix a certain level of prices and adhere to it, perhaps for years. The changing relations of supply and demand would present no just ground for altering the schedule unless there were also increasing costs of some kind. Now with the growth in the population of the country the demand for timber will certainly increase; and if prices were to remain about the same, might not our timber supply be very speedily exhausted? Would there be any incentive for timber owners to preserve their timber for the future? Certainly the expectation of a future rise in stumpage values is the chief reason why many timber owners are not clearing their land now; and if this hope of future profit were taken away, if holders

felt that prices would remain the same for a long period, they would cut their timber as fast as the market would absorb the product, unless the Government also in some way taxed or regulated the output.

If the commission were to follow a policy of permitting lumbermen to raise prices merely because the supply of timber was decreasing, when there was no increase in the cost of production, it seems that it would to some extent fail in its avowed purpose, which is to protect consumers from unreasonably high prices.

Advocates of Government regulation of prices sometimes point to the experience of the Interstate Commerce Commission as an example of success in Government regulation. Without entering into any discussion of the Interstate Commerce Commission and its work, it may be said that it is not very significant as to the desirability or feasibility of regulating general commodity prices. In the first place it was absolutely necessary that interstate commerce rates be regulated; and this cannot be said of lumber prices. In the second place, perhaps it cannot be said that the Interstate Commerce Commission has been so successful in its work up to the present date as to throw a particularly favorable light upon the general policy of Government regulation. The commission has been mainly interested in preventing unjust discrimination between persons, localities or kinds of freight, and has done very little, if anything, in the fixing of specific schedules. The general rate structure for the country as a whole has been determined almost entirely by the railroads themselves. There is little probability that the commission itself could ever have made out entire rate schedules for the railroads, and applied them successfully. The work now done by the Interstate Commerce Commission is very different in many ways from that which would be required of a commission for the regulation of lumber prices.

It might of course be argued that the lumber commission could follow out a policy similar to that of the Interstate Commerce Commission, simply adopt the present price schedules of the lumber companies and permit no advances except upon proof that such advances were reasonable. Since lumber

prices will for a long time tend to rise, the commission might thus reduce its work to merely "sitting tight", allowing few advances, and meantime regulating such matters as unjust discrimination and unfair practices.

It seems probable that the price regulating commission would adopt a policy somewhat similar to this; and possibly it would prove successful. It may be well to point out, however, that many of the difficulties urged above to the general scheme of price regulation would be encountered in this procedure as well. The questions of personnel, manner of appointment, and jurisdiction would not be simplified. A careful accounting system would be needed, although perhaps it would not be so important as if price schedules were to be fixed immediately by the commission.

The questions regarding joint products and the relation of prices of different woods might be largely solved by the lumber companies themselves without much interference from the commission. The problem of adjusting supply to demand would not be simplified; low prices would in any case stimulate forest destruction; and if the value of standing timber were to be reckoned in the determination of prices, it would involve the same circle of reasoning that was pointed out above.

One objection which is sometimes urged against price regulation in general, is that it leads to Government ownership and socialism; but this objection has very little force when applied to the lumber industry, for Government ownership is the ideal toward which we should be working.

Perhaps it may seem that since monopoly conditions in the manufacture and distribution of lumber are dependent on ownership of the standing timber, the logical procedure would be to attack the question there, to break up in some way the monopolistic control of standing timber, break up the large holdings.⁴

There are several reasons why the present situation in regard to the ownership of standing timber would seem to demand some kind of a remedy; some reasons why, as a matter of equity

⁴See E. Dana Durand, *The Trust Problem*, in the *Quarterly Journal of Economics*; August, 1914, 672-674.

and justice if nothing more, the large holders might be shorn of some of their power. In the first place we must recognize that no labor is required to discover standing timber, as contrasted with such natural resources as iron ore, coal, or petroleum. The search for minerals is a real public service; but timber is conspicuous upon the surface, and could never fail of being turned to account for lack of knowledge of its existence.

Not only have timber owners as a class rendered no particular service in "finding" and appropriating timber lands, but many of them have given no equivalent in any other way for the valuable resource they now hold; many of them have merely stolen their lands. As indicated in previous chapters, many of the railway grants were not really earned; the two great timber owning railroads, the Northern Pacific and the Southern Pacific, presenting notable examples of bad faith in their disposition of their grants. Various other railroads furnish examples quite as bad on a smaller scale. Swamp lands were often, perhaps usually, acquired fraudulently, and the terms of such grants were not often complied with. Most timber lands acquired under the Timber and Stone Act, the Commutation Homestead Act, the Preemption Act, and the Desert Land Act, were acquired fraudulently; indeed there was about one general public land law under which large holdings could be honestly taken up, and that was the Cash Sale Law, and even under that law the payment for the lands was of course grossly inadequate.

Since so much of the timberland was stolen in the first place, there might seem to be special reason why a few holders should not own it all, special reason why the Government might try to regain control over more of this resource, or might try to secure a more equal division, perhaps break up some of the large estates in some way. In judging of the wisdom of any such plan of procedure it will of course be proper to consider that a vested wrong may in time become a vested right; that much of this land is not now in the hands of the original holders; that some of it is now owned by holders who have paid full value; and that the proportion of such holders will grow from year to year as more of this land changes hands.

If we were to go so far as to advocate breaking up of some of these great timber estates in some way, the most obvious method would of course be taxation, perhaps a progressive tax, somewhat after the Australian or New Zealand plan, imposing an especially heavy burden on the very large holdings. It might be argued that this would tend to encourage the division of these holdings into moderate sized tracts; or that even if it did not have any decided tendency that way, it would at any rate be equitable as a system of taxation, apportioning burdens according to ability, since the real wealth, power, or "ability" of these large holders is more than proportionate to the size of their holdings. If furthermore, it saddled a special burden upon a class of large-scale land thieves, so much the better.

It is not the purpose of this chapter to enter into an exhaustive discussion of the progressive tax, or of the general question of remedies for our timber situation; but it will be worth while to consider briefly a few very weighty objections to any scheme of breaking up the large holdings by means of a graduated tax on timberlands.

In the first place, aside from all questions of constitutionality or conflict of jurisdictions, such a scheme may seem unfair to some holders, for some who have purchased a recent years, have paid full value for their land.

In the second place, any tax graduated sufficiently to be effective would promote a rapid forest destruction which is exactly what conservationists should wish to avoid. It has everywhere been observed that heavy taxation of forest land results in premature cutting of the timber.

The decisive argument against the taxation scheme suggested is, however, that it is not desirable to break up these large holdings. The Australian and New Zealand taxes apply to agricultural land, and are probably justified by social considerations.⁵ It is not desirable to have agricultural lands in large states; but the situation in regard to forest land is quite different. A large holding of timber land is proportionately easier to protect from fire and from trespass, and is more economically managed in every way. The cost of fire protection is a very important item in the timber business, and for the

⁵Seligman, *Essays in Taxation*. Eighth edition, 459-466, 516-522.

large holdings this cost is proportionately much lower than for the small holdings and protective measures are far more effective; indeed it is almost impossible to afford adequate protection to a number of scattered small lots. The holder of any such lot is very much at the mercy of his neighbors, any one of whom may by carelessness jeopardize all the timber in the community. The breaking up of timberlands into small holdings would thus increase the cost and decrease the effectiveness of fire protection and of management in almost every way.

Perhaps the best thing that could be said for a progressive tax is that it would not really be effective because it would be evaded. Many large holders would doubtless pretend to break up their holdings, but would retain control through gentlemen's agreements and through various other subterfuges so common in the general field of monopoly. If in this way the tax could be rendered ineffective it would perhaps do little harm, but of course it would then yield no revenue and would have no excuse for existence.

No doubt some scheme of taxing the annual cut would be better than a tax on the land, and tax legislation is turning to this more and more in recent years. It is difficult, however, to see how this tax could be graduated in such a way as to break up large estates. It might of course be graduated so as to bear heavier upon those establishments having the larger output, or it might be imposed only on the larger organizations, (those larger than the unit of maximum efficiency); but it is not easy to see how this would improve upon the policy of breaking up trusts, except that it would tend better to conserve the timber supply.

The reasons why forests should be owned by the Government have been discussed in various connections, in fact, the wisdom, perhaps we may even say the necessity of Government ownership, is the great outstanding lesson to be gained from the study of the United States forest policy as outlined in the preceding chapters. Almost all the advanced countries of the world have found it necessary to take over the management of their forests; and the United States must eventually enlarge her field of activities along this line.

Our National Forests will of course play a more important

part in the future than they do now. At the present time they are of course much less important than their area would indicate, because only part of the land is timbered, and the timber included is of poor quality and inaccessible. The Forest Service is handling the timber very conservatively, however, cutting less than the annual growth, so that the amount of Government timber is even increasing; while the privately owned timber is being cut at a very rapid rate. Furthermore the Government is slowly taking over tracts of denuded land under the Weeks Law, and is again planting it with trees. Thus the relative importance of the publicly owned timber is bound to increase greatly in the future, and this will tend to prevent the large private holders from too gross abuse of their power.

In conclusion then, it appears that of the several remedies suggested for our lumber and timber situation, the only one worthy of unqualified approval is the last,—the extension of Government ownership and control. The scheme of breaking up large timber holdings by means of a progressive tax has been as unqualifiedly rejected. In regard to the two other remedies considered, it has seemed wise to take no stand, but merely to point out the various advantages and disadvantages that might be claimed for each plan of procedure. It is hoped that this caution and conservatism will not lay the writer open to criticism on the ground of having avoided or glossed over vital issues. Much has been written about trusts and monopolies in general, about the Standard Oil Company and the United States Steel Corporation, and various other monopolistic combinations; but comparatively little is generally known about the lumber industry. The report of the Commissioner of Corporations contains a vast amount of valuable information; but this report is about the only ready source of information, it has been given little general publicity, and it is not at all concerned with the question of remedies.

Thus the writer is exploring new fields, and abundant caution would seem to be fully justified. If the above suggestions as to remedies have any effect in arousing interest in the matter, in stimulating others to follow up with fuller knowledge and more careful analysis, their inclusion here will perhaps be justified.